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REPORT TO THE CONFERENCE OF AFRICAN MINISTERS OF TRADE ON THE SITUATION OF TRADE RELATIONS BETWEEN AFRICA AND CHINA

I. INTRODUCTION

1. This brief progress report on the trade situation between Africa and the People's Republic of China is pursuant to the decision taken at the eighth and ninth Conference of African Ministers of Trade. It is based on the study prepared by the secretariat entitled "Mechanisms for Facilitating Trade between African Countries and China" 1/ Although this study covers only a few African countries, many of the observations apply in general to the whole of the African region.

2. Both Africa and China have much to gain in the short, medium and long term through mutually agreed programmes to promote and expand their trade relations. First and foremost, there is a commitment to the volume and composition of their exports to support their respective development efforts. This is in accordance with the wishes of the African policy makers both at national level and during the various regional African forums. Secondly, Africa and China have great potentials to complement each in the demand and supply functions. Thirdly, both acknowledge that trade between them is particularly important to the wellbeing of their peoples basically because it can act as a powerful "engine of economic growth" and a basis for reducing in the long run the need for foreign assistance.

3. Because of Africa's traditional ties with the former metropolitan powers, China is not Africa's major trading partner. However, there are a few African countries with a fairly good number of people of Chinese descent. It is also important to note that China and Africa share certain common features by virtue of both claiming to be developing regions. Moreover it is also worth recalling that China materially and politically supported the independence struggle of some African countries.

4. It was not until 1979 that the People's Republic of China adopted an "open-door" policy allowing for greater interaction with the outside world. Underlining this concept is the belief that trade with the outside world was to be based on equality and mutual benefit and to advance towards multilateralism. The foreign trade system reforms that were introduced in 1979 ushered in the decentralizing of management of the sector. Thus, departments and enterprises of industrial production and local governments at various levels were allowed to engage directly in export and/or import instead of the centralized management by national foreign trade corporations under the former Ministry of Foreign Trade.

5. Further reforms of foreign trade system by the Chinese Government took place in 1984 and were intended to further strengthen and improve the control of the macro economic and administrative systems. In other words, they were intended to rationally regulate foreign trade using exchange rates, customs duties, taxes and credits. The key element was to increase exports and earn foreign exchange which was required in order to increase imports of technology on a very large scale.

1/ See Document E/ECA/TRADE/87/7

II. RECENT TRENDS OF AFRO-CHINESE TRADE

A. Overview

6. Statistics show that on the whole Afro-Chinese trade relations were relatively much stronger during the 1960s and 1970s than during the 1980s. The volume of trade between African countries and China increased significantly through the '70s due to several factors such as (a) mutual desire of both the African countries and China to visibly demonstrate the strength of their close relations formed during the pre independence days (b) implementation of various development and industrial projects undertaken by the Chinese in some newly independent African countries involving the importation of large amounts of machinery and consumer goods and (c) relatively healthier foreign exchange and balance of payments position of the African economies due to the generally favourable terms of trade then prevailing for the various commodities Africa was exporting.

7. Africa, on the other hand, had several agricultural commodities that China needed as raw materials for its domestic production in exchange for variety of light consumer manufactures that China offered rather cheaply in comparison with those Africa obtained from other sources. Chinese goods were at the same time serviceable, especially for the needs of the majority of the low income African urban and rural populations. Africa's main export items included coffee, tea, cotton, cashewnuts, sisal and sisal fibre and hides and skins. Chinese exports to Africa included textiles, bicycles, cutlery and kitchenware, hoes, stationery, chinaware, stoves, toys, hardware, etc.

8. The 1960s and 1970s also saw a very significant involvement by the Chinese in the industrial and economic development efforts of several African countries. In Tanzania and Zambia, for instance, the Chinese accomplished what still remains as the largest Afro-Chinese venture to date, the Tanzania Zambia Railway line (TAZARA). In addition, these years also witnessed fairly close relationships in the cultural and military fields resulting in the construction of national sports stadium by the Chinese and the importation of sundry Chinese-made weapons and other war material by a number of African countries. Over and above, several African Heads of State and Government made state visits to China during the 1960s and 1970s. These visits were designed not only to demonstrate the ties of friendship and solidarity but also to develop further opportunities for bilateral trade. In general, therefore, the combination of favourable economic conditions and high profile political initiatives both from Africa and China ensured a relatively buoyant trade relationship between Africa and China.

9. During the 1980s the value of trade between China and its African trading partners declined quite remarkably. From a high of US$760 million of exports in 1982 China exported only US$421 million to Africa in 1986. A similar picture of the volume of trade in the tables in the study (E/ECA/TRADE/89/7) for 1987 is shown in the annex. China's imports of African goods declined from a high of US$ 311 million in 1983 to only US$ 254 million in 1986 and to US$ 154 million in 1987. Africa had a negative balance of trade position in favour of China in excess of US$ 320 million in 1986 and US$ 1076 million in 1987. In other words,

Africa imported more than twice as much as it exported to China in 1986 and nearly eight times in 1987. The main reasons for the drastic decline and unfavourable trade situation relate largely to: (a) China's increasing self-sufficiency in the production of agricultural commodities which Africa traditionally used to supply in the 1960s and 1970s, and (b) the deteriorating foreign exchange position of most African countries since the beginning of the 1980s.

10. From data in the study "Mechanisms for Facilitating Trade between African Countries and China" (E/ECA/TRADE/89/7), no less 46 African countries have established trade links with China. However, Africa accounted on average for only 2.4 per cent of China's export trade and about 1.1 per cent of its imports during the 1980s.

11. The trade relations of China with African countries are governed by agreements that incorporate observance of the most-favoured nation clause of GATT and contain an indicative list of commodities to be exchanged between the two parties. In a few cases, payments agreements are also included.

12. Most African countries have throughout the 1980s experienced acute balance of payments problems resulting from generally poor economic performance. This in turn has been caused by a number of factors including a general world economic recession and attendant collapse in basic commodity prices; non-competitive import-dependent processing/manufacturing industries; low capacity utilization; protectionism from the developed market economies; sometimes inadequately conceived policies and programmes; and a host of natural disasters and other socio-political problems. Together they have seriously undermined Africa's external purchasing power and denied it the means for cost effective investment in value added processing.

III. CONCLUSIONS AND RECOMMENDATIONS

13. On the basis of what is stated above, and in order to ensure effective exploitation of the potential for Afro-Chinese trade, African governments should consider the following recommendations:

A. Policy measures

(a) Adopting a definite policy position aimed at encouraging the promotion of bilateral trade with China. This policy position should be widely popularized among key interested parties such as farmers, the commercial and industrial business community and government officials. Hitherto, although a number of African countries have signed trade agreements with China, there is no well-articulated policy to focus public and private sector interest in developing two-way trade with China.

(b) African countries with diplomatic representation in China should ensure that they have viable and effective commercial representation in China charged with the primary responsibility for identifying and popularizing economic/trade opportunities including areas for joint ventures between China and their respective countries.

(c) African countries should identify sectors such as agriculture, agro industry and rural development oriented industrial investment to popularize for joint national investment with China. These should be areas in which China has acquired experience and whose exploitation would enhance the value-added process of transforming Africa's traditional export commodities.

(d) African governments and the business community should recognise that doing business with China is like doing business with any other commercially-oriented trading partner - it requires adequate mental and managerial preparation and a knowledge of how the Chinese business culture works. The Chinese importer/exporter is no more benevolent than any of their counterparts in other parts of the world.

(e) African governments should actively involve their business community (public and private) in the main stages leading to the identification and exploitation of business opportunities with China. In other words, there should be an accelerated shift from government to government deals in favour of commercial transactions negotiated by the respective business houses in China and the African country. Afro-Chinese trade must be seen and practiced as a normal, unmystified trade.

B. Institutional Mechanisms

(a) There is an urgent need for the establishment of a more effective and comprehensive Afro-Chinese trade information service to especially sensitise the African business community to the opportunities, problems and practices in Afro Chinese trade and other areas of economic co-operation. Perhaps such bodies as the United Nations Economic Commission for Africa (ECA), in collaboration with the United Nations Economic Commission for Asia and Pacific (ESCAP), the International Trade Centre (ITC/UNCTAD/GATT), the Preferential Trade Area for Eastern and Southern Africa(PTA) and the Economic Community of West African States (ECOWAS) could take the lead in regional initiatives to bridge the trade information gap and to demystify the Chinese market for African exports and imports.

(b) More effective use should be made of the joint commissions/committees established by several African countries with China to implement the provisions of bilateral Trade Agreements with China. To this end, there should be more effective representation of the agricultural, commercial and industrial business community on these joint commissions/committees and less of government civil servants.

(c) ECA, PTA and ITC in collaboration with appropriate Chinese authorities should consider organising an Afro Chinese Expo-Trade Fair current with a trade symposium either in Africa or China to provide the opportunity for a comprehensive exposure of the export import potential existing in Africa and China.

(d) In order to mitigate the adverse effects of the pervasive foreign exchange problems, African countries should promote the use of barter or counter-trade arrangements especially involving the development and export of non-traditional agricultural products. To minimize the inherent problems that barter trade entails, each country should establish a Barter Trade Commission to manage the implementation of such an arrangement.

(e) Since neither the Chinese Yuan nor any of the currencies of the African trading partners are freely convertible internationally, steps should be taken to establish the feasibility of African countries maintaining reciprocal bank accounts in local currency with China as a payments and clearing system for selected items of trade. For instance, China would procure needed imports from an African country using that country's currency and the above country would in turn procure needed Chinese imports using the Yuan. Encouragement ought to be given to the establishment of a Clearance System by the respective Central Bank authorities.

ANNEX

EXTERNAL TRADE OF CHINA

(US$ millions)

	Exports	Imports
	1987	1987
IFS World total	39,542	43,392
DOTS World total	39,464	43,222
Industrial countries	14,536	26,452
United States	3,030	4,836
Canada	409	1,403
Australia	298	1,325
Japan	6,392	10,087
New Zealand	44	216
Austria	23	266
Belgium-Luxembourg	253	296
Denmark	111	173
Finland	59	155
France	435	899
Germany	1,423	3,139
Iceland	2	
Ireland	11	2
Italy	27	1,240
Netherlands	606	231
Norway	124	103
Spain	120	336
Sweden	98	321
Switzerland	189	503
United Kingdom	532	900
Developing countries	22,579	13,903
Africa	1,230	154
Algeria	44	3
Angola	14	-
Benin	16	-
Botswana	3	2
Burkina Faso	3	-
Burundi	2	1
Cameroon	7	-
Cape Verde	-	-
Central African Republic	1	-
Chad	1	-

	Exports 1987	Imports 1987
Comoros	-	-
Congo	2	2
Cote d'Ivoire	23	11
Djibouti	7	-
Equatorial Guinea	-	-
Ethiopia	7	1
Gabon	2	5
Gambia, the	8	-
Ghana	4	14
Guinea	5	-
Guinea-Bissau	-	-
Kenya	26	6
Liberia	30	-
Madagascar	6	-
Mali	6	2
Mauritania	21	-
Mauritius	22	-
Morocco	127	25
Mozambique	5	7
Namibia	-	-
Niger	4	-
Nigeria	22	3
Reunion	3	-
Rwanda	6	-
Senegal	11	2
Seychelles	1	-
Sierra Leone	3	-
Somalia	3	2
Sudan	19	1
Tanzania	12	1
Togo	17	3
Tunisia	19	22
Uganda	12	-
Zaire	708	5
Zambia	1	5
Zimbabwe	-	27
Africa not specified	5	5

Source: International Monetary Fund, Direction of Trade Statistics Yearbook, 1988.

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THE ADDIS ABABA STRATEGIES FOR REVITALIZING AFRICA'S TRADE, EXPORTS AND GROWTH IN THE 1990s

Adopted by

THE CONFERENCE OF AFRICAN MINISTERS OF TRADE
(Addis Ababa, Ethiopia, 17 November 1989)

I. INTRODUCTION

1. Africa's continued and deepening socio-economic crisis constitutes one of the most serious challenges facing the continent. The overall economic growth rate during the 1970s was 3.6 per cent but this was transformed into steady declines especially for the period 1980-1987 to a rate of only 0.5 per cent. The trade sector performed very poorly and was unable to support sustained growth rates. Growth outputs in industrial and food production were weak compared with strong growth rates in population. In fact, with population growth rates almost outstripping GDP growth, the living standards for many people especially in the rural informal sector have been drastically reduced and welfare declined as evidenced by wide-spread and endemic poverty.

2. The strategies proposed for the 1990s in the field of trade take into account the proposals contained in the Lagos Plan of Action, Africa's Priority Programme for Economic Recovery (APPER) 1986-1990, the United Nations Programme of Action for African Recovery and Development 1986-1990 (UN-PAERD) and the African Alternative Framework to Structural Adjustment for Socio-Economic Recovery and Transformation (AAF-SAP). It contains practical and imaginative policy instruments and measures for domestic, intra-African and international trade that would need to be implemented to reverse this situation. The strategy is built on the recognition that the contribution of the trade and export sector to socio-economic growth in the process of structural adjustment and socio-economic transformation and recovery has to be clearly defined to link trade with changes in production, industry and infrastructure as well as the supply factor inputs to increase the availability of goods and services.

II. MAJOR TRADE ISSUES TO BE ADDRESSED IN THE 1990s

3. During the 1980s, Africa's trade performance - domestic, intra-African and international - has been disappointing. Domestic trade has not kept pace with demand functions as indicated by serious shortages of food, essential commodities and services in many parts of Africa. Intra-African trade has declined from an average of about 6 per cent in the 1970s to about 4.5 per cent in the 1980s. Similarly, as a result of stagnation in its exports, Africa's share of world trade dropped from about 4 per cent to about 2 per cent between 1970 and 1988, representing a drop of about 43 per cent. The prices of many agricultural and mineral primary commodities of export interest to Africa collapsed in 1981 to the lowest levels in fifty years. This was accompanied by deteriorating terms of trade and fluctuations in the exchange rates of major world currencies to which many African national currencies were pegged. The combined effects of these was a drastic reduction in the performance of the export sector and increased balance-of-payments deficits. Largely as a result of the declining foreign exchange earnings, many African countries were unable to cope with the debt crisis which was manifested in huge and mounting external debt service obligations. The consequences of these developments have been low or decreasing economic growth rates, continued wide-spread mass poverty and declining standards of living.

4. In terms of institution-building, African countries have, since the 1960, made considerable achievements in establishing institutions for trade expansion and co-operation. Among such institutions are Central African Customs and

Economic Union (UDEAC); the Economic Community of West African States (ECOWAS); the West African Community (CEAO); the Preferential Trade Area for Eastern and Southern African States (PTA); the Southern African Development Co-ordination Conference (SADCC); the Economic Community of the Countries of the Great Lakes (CEPGL); the Economic Community of the Central African States (ECCAS); and the Maghreb Union of Arab States. At sectoral level, institutions have been created to promote intra-African trade such as the Federation of African Chambers of Commerce; the West African Clearing House; the Central African Clearing House; and PTA Payments and Clearing House. Trade and Development Banks have also been established to promote trade.

5. It is, however, disturbing that despite the existence of these institutions, Africa's trade is still characterized by lopsided distribution and marketing policies in which serious shortages of consumption of goods and food exist side-by-side with surpluses within the same economy. This is partly explained by the low priority accorded to the rural areas in trade, services and information dissemination as well as trade financing and credit. At the same time, Africa's external sector continues to perform very poorly and there is persistent dominance of primary commodity exports in Africa's external trade largely because African countries have not yet found effective means to diversify such trade through increasing exports of manufactured, processed and semi-processed goods which continue to be a major obstacle in international trade. Institutional and structural problems are also being encountered in the efforts to promote trade between African and other developing countries. The availability of up-to-date trade statistics and information as well as poor marketing strategies and export techniques will also constitute a major problem to be addressed.

6. Projections show that due to rigidities in the African production structures, the trade performance during the first half of the 1990s will continue to be disappointing. Domestic trade will have improved only slightly if priorities will continue to be placed on external trade. This situation will be aggravated by the low purchasing power of the rural populations especially in the informal and subsistence sectors in the wake of possible declines in real incomes. At the African level, although intra-African trade co-operation institutions will have been fully established in all subregions including North Africa, the lack of trained human and financial resources will prevent these institutions from being fully operational. Consequently, the share of intra-African trade to total Africa's trade will still remain at an average level below 5 per cent, but in individual cases such as the Preferential Trade Area for Eastern and Southern African States (PTA), the share of intra-PTA trade will have grown much faster than its trade with the rest of Africa. Agricultural and mineral primary commodity trade exports will continue to dominate Africa's export efforts in the 1990s and only slight advantage would have been taken of the ACP-EEC Lomé Convention to shift the structure of production towards diversification.

7. This problem will arise partly out of the difficulty in interpreting the full and real impacts of the new single European Common Market which will be realized in 1992. This will cast a shadow on Africa's overall ability to penetrate that market or to maintain its current share of trade in the

wake of more ferocious competition by the newly industrialized countries (NIC's) from other developing regions. The resulting shifts in the geo-political and economic relationship between Europe on the one hand, and the United States, Canada and the Soviet Union bloc on the other hand, will also present operational policy problems in Africa's external trade relations.

8. In order to address these issues, Africa's trade strategies and policy instruments for 1990s, have to be significantly different from the previous decades. Projections also show that the prices of many primary commodities would not increase to a level sufficient to support sustained growth and development. Therefore, the African countries will have no choice but to adopt adjustment programmes and strategies that can ensure its increased share in world trade in manufactured, industrial and processed goods. The strategy for this period will also focus on inward-looking measures for the development and expansion of domestic and intra-African trade.

(a) The Issues in Domestic Trade

9. The following are the main issues which African countries will continue to experience in the development and expansion of domestic trade.

(i) The inavailability of manufactured consumption goods and services to be traded among the African countries;

(ii) The inadequacy of pricing policies of domestic products and financial incentives for production;

(iii) Problems encountered in improving distribution and storage arrangements to reverse the present consumption patterns in favour of domestically produced goods;

(iv) Lack of marketing, advertizing and information on domestic products;

(v) Rigidities of consumption patterns and habits, especially excessive dependence on scarce staple food crops; and

(vi) Lack of trained personnel in marketing and relevant training institutions in domestic trade.

(b) Intra-African Trade

10. The following are the main issues in intra-African trade that need to be addressed in the 1990s:

(i) The absence of significant and visible benefits or gains from intra-African trade especially foreign exchange earnings; and the fear of possible loss of revenue;

(ii) The complexity of rules, legislation and procedures governing intra-African trade and prohibitive tariffs and non-tariff barriers;

(iii) The absence and inadequacy of supply and demand analysis for domestically produced goods for intra-African trade and insufficient information of the types and brands of marketable goods;

(iv) The inavailability of trade financing including foreign exchange, insurance and export credit facilities and the problem of establishing credit-worthiness by African traders. This problem is aggravated by the reluctance of commercial banks to provide such credit; and

(v) The lack of competitiveness of domestically produced products vis-à-vis imported goods aggravated by consumer preference of imported products by African consumers especially the elite and the urban dwellers resulting in part from lack of trade promotion and marketing.

(c) International Trade

11. The main issues of concern in Africa's export sector include the following:

(i) Narrow range of goods and services available for international trade coupled by absence of marketing and information on such goods in the world markets;

(ii) The lack of brands and goods identified as African origin and design;

(iii) The problem of identifying new market channels and resource constraints to exploit those markets through new product lines and brands;

(iv) Problems in supply dependability to ensure that once captured the markets are not lost to other supplies;

(v) Lack of adequate incentives for export promotion substitutes;

(vi) The problems of ensuring competitiveness including inadequate or inappropriate pricing policies, incentives and exchange rate policies, export duties and export credit and insurance facilities; this is exacerbated by the global technological innovations which render African commodities less competitive with synthetic substitutes;

(vii) The lack of transport and communications, including especially shipping and containerization;

(viii) The continued tariff and protectionist measures including subsidies in the industrialized countries which militate against African products; and

(ix) Restrictive trade and business practices by transnational corporations and other foreign investors.

III. DOMESTIC TRADE, ADJUSTMENT AND TRANSFORMATION

12. The strategy for the revitalization of domestic trade in the 1990s, is to improve the quality of life by inter-alia providing all people, especially in the rural areas, with adequate and constant supplies of better quality goods, essential commodities and services. The institutional and operational framework for such trade entails the full participatory involvement of all communities at the grass-root level such as local authorities, village associations, co-operatives, formal and informal credit and financial organizations, chambers of commerce and industry and governmental and non-governmental organization and the mobilization of human and financial resources in order to provide a sound and solid indigineous base for the transformation of the informal sector. It is particularly important that adequate recognition and full support should be given to the role of women in domestic trade as well as investment in small-scale and agro-industries to satisfy the basic needs. The main guiding principle is that without strong and adequate domestic trade structures, the implementation of programmes for poverty alleviation and rural development become impeded while disparities in the distribution of incomes between the rich and the poor become wider.

13. Strategies and policies designed to improve domestic trade performance involves the implementation of a number of basic policies which include land reforms that guarantees better access and entitlement to land for productive use as well as the enhancement of the role of women as agents of change and the modernization of the food production sector. This would in turn, increase the productivity of the informal sector as well as opportunities for gainful employment for a larger number of people and more equitable distribution of incomes and welfare. An important element of this process is greater participation of the target groups in the decision-making process at the national, local, village and grass-root levels to ensure that the local population can contribute to the planning, organization, production, distribution and marketing of goods and services in the national market.

14. Therefore, taking into account the decisions adopted at the eighth session of the Conference of African Ministers of Trade, it is recommended that African countries should at least double the volume of domestic trade by the year 2000. In order to implement this target, the following policy instruments and mechanisms need to be implemented by the African governments:

(i) The Ministry of Trade should identify appropriate national institutions to undertake indepth demand and supply studies in their countries, so as to determine the food requirements of the population in all areas, in particular the demand for different food grains to form the basis for domestic trade. If necessary such a study should indicate ways of introducing new staple food grains in areas affected by drought and chronic food shortages. To this end, governments should make specific requests to the United Nations Development Programme (UNDP), the African Development Bank and other funding institutions to financially support the carrying out of these studies;

(ii) The African Development Bank, with the collaboration of the Economic Commission for Africa and commercial banks, should be requested to devise more effective systems for providing credit to small scale traders, business enterprises, small-holder and medium-scale African farmers in order to improve the environment for increasing the production and marketing of simple goods including handicrafts;

(iii) The Food and Agricultural Organization (FAO) of the United Nations and the ECA should be requested to assist in developing adequate national trade distribution networks throughout the African countries as well as a system of buffer stock both in order to maintain steady price levels and to ensure adequate and even supplies during periods of high and low production. Such measures should include the establishment of physical plants and the development of new trade facilitation measures for the movement of goods and persons, especially between the urban and rural areas;

(iv) Specific measures should be adopted by the Ministries of Transport to assist traders and entrepreneurs engaged in domestic trade to have full access to transportation and storage facilities to improve their performance; and

(v) Better training and skills up-grading, as well as new techniques for trade information, market research and trade promotion should be made available to local traders. Special measures should also be taken to ensure adequate credit and financial support to women domestic traders.

IV. STRATEGY FOR ENHANCING INTRA-AFRICAN TRADE

15. The basic strategy for intra-African trade in the 1990s is to create a sound enabling environment in which new flows of goods and services can take place so as to increase the share of intra-African trade to between 10 and 15 per cent of Africa's total trade by the year 2000. The emerging international economic situation suggests that one of the options which African countries have is to adopt inward-looking policies to encourage trade within the framework of the South-South co-operation. It is recognized that diversion of trade from traditional North-South channels would be difficult to attain without some sacrifices to be made by the African countries. However, the trade strategy within the framework of collective self-reliance involves inter-related activities listed in the next few paragraphs.

(a) Comprehensive market research and analysis

16. The highest goal of the strategy should be to undertake adequate market analysis and strong linkages between production on the one hand and marketing and distribution on the other, to inter-alia, reduce the "excess capacity" in African countries. In the search for an enabling environment, it should

be pointed out that the first important element of intra-African trade policy is that comprehensive market research and analysis should be undertaken to determine the basis for co-operation taking into account the demand and supply (actual and potential), the structure of production and distribution in industry and agriculture, consumer preferences and habits and the purchasing power of the economies individually as well as taken together. To this extent African business enterprises should be assisted to participate more effectively in trade promotion efforts, including participation in sub-regional and all-Africa trade fairs, roundtables and business tours to other African countries to enhance intra-African trade.

17. An important aspect of this strategy is to ensure that the supply and quality of produced goods is consistent with the patterns of demand especially in the existing sub-regional economic groupings. African governments should plan industrial production by thoroughly assessing the variations in the demand patterns so as to determine whether a particular line of production would really serve the needs of the communities. It is also essential that market research should be planned on a subregional or multinational basis to match the demand with the existing or planned production units. There is evidence to suggest that the high incidence of "excess capacity" referred to earlier in a number of production lines in the African countries, is mainly due to the lack of adequate marketing research and analysis. The coordination of industrial and agricultural projects cannot, therefore, be effectively achieved without an analysis and appropriate adjustment of the market structures.

(b) Restructuring domestic production in agriculture and industry

18. The second basic element of the intra-African trade strategy is to restructure and harmonize production and distribution in industry and agriculture at the subregional level consistent with the objectives of collective self-reliance. Therefore, African governments should agree to co-ordinate their economic policies and planning mechanisms to ensure a rapid rate of industrial production for intra-African trade expansion to take advantage of the trade liberalization policies and instruments identified in (c) below. Therefore, the second element of intra-African trade strategy is the restructuring of domestic production in agriculture and industry to widen the base for exchanges so as to provide adequate and high quality goods at competitive prices. This condition holds true for all modes of sub-regional trading arrangements and is of universal applicability in the development and expansion of the base for co-operation in trade at the African level.

19. The World Bank should be requested to provide the required resources for this purpose through its Multilateral Investment Guarantee Agency (MIGA) and the joint MIGA/IFC Foreign Investment Advisory Service. The African Development Bank should also be requested to support these programmes.

(c) Trade Liberalization of Domestically-Produced Goods

20. In order to support the structures and policy instruments laid down in (a) and (b) above, African governments should make new commitments to ensure

that the trade strategy for the 1990s will provide an enabling environment through more effective programmes for intra-African trade liberalization and customs co-operation arrangements. Although it has long been recognized that the imposition of import duties and other restrictions on trade between African countries are major obstacles to fruitful co-operation in Africa, difficulties are still being encountered in implementing this. It should be recognized, however, that these restrictions are, by their very nature, harmful to both the countries imposing them as well as those countries against whom they are imposed. Therefore, the third element of a more dynamic intra-African trade policy is to devise generally acceptable techniques for trade liberalization in domestically-produced goods when these are moved from one country to another. That strategy should also provide mechanisms to compensate countries from possible loss of revenue.

21. This involves several basic principles. Firstly, countries should grant "most-favoured-nation" treatment on goods originating in other African countries including preferences on industrial and agricultural products. This will have the effect of increasing opportunities for the establishment of new multinational industries within the grouping thereby ensuring a fair and equitable distribution of gains from co-operation in trade. Secondly, it is necessary to develop an effective system to compensate countries for the loss arising out of the gradual removal of all barriers and restrictions on the movement of goods and services among groups of countries. This can best be achieved through the increased use of the machinery already in place such as the sub-regional economic groupings as a basis for intra-African co-operation.

(d) The African Common Market

22. Some preparatory work has been undertaken by the secretariats of the OAU and ECA towards establishing the African Common Market called for in the Lagos Plan of Action. The major objective is to provide a regional framework for increased efforts in the removal of trade and customs barriers to intra-African trade in order to facilitate greater co-ordination of policies in trade expansion. In order to rapidly achieve this objective, collaborative action is required as follows:

(i) The Ministries of Transport and Communications should be requested to give priority to the creation or rehabilitation of inter-country roads and rail links likely to encourage the growth of intra-African trade with particular emphasis on feeder and access roads permitting for easier transportation of rural produce to the market. Furthermore, the early completion of the various trans-African highways was stressed.

(ii) Executive heads of sub-regional institutions should be requested to initiate consultations among their organizations to co-ordinate their strategies, policies and programmes as a basis for accelerating the establishment of an African Common Market; and

(iii) Appropriate institutions should be organized to assist in the establishment of sub-regional commodity exchanges to provide up-to-date information of the supply and demand for African raw materials used in the production for intra-African trade.

(e) Significant improvements in intra-African trade information

23. In line with recent developments in informatics, African governments should make significant improvements in the exchange of intra-African trade information and should systematically monitor and evaluate their trade performance through the adoption of electronic data processing. Such information should facilitate: (i) according priority to African tenders for the provision of goods and services offered by or originating from other African countries; (ii) use of African airlines and shipping lines to increase freighting and transportation of goods for intra-African trade; (iii) information on appropriate pricing policies and other incentives designed to encourage intra-African trade, especially in food and food products.

(f) Linkage between intra-African trade and other sectors

24. In order to alleviate the existing weakness in institutional structures, African countries should put in place mechanisms to enable trade to be linked within national development plans through macro-marketing policy approach. Steps should be taken to link trade development with progress in other sectors such as industry, agriculture, education and training, transport and communications.

(g) Enabling Environment for Private Sector Participation

25. Governments should devise new measures or mechanisms, incentives and support structures to encourage more effective participation of the private sector in intra-African trade promotion and expansion. To this end, private individuals and sub-regional and regional Federations of chambers of commerce, industry and mines should be invited to contribute to the decision-making process for intra-African trade. Information of market research and analysis by governments and international organizations should also be made readily available to the private sector for this purpose. The World Bank's International Finance Corporation (IFC) and the NGOs should be requested to increase its support to enhance the participation of the private sector in intra-African trade through inter-alia diversifying production of goods and services.

(h) Increasing Barter Trade Exchanges

26. African countries should promote barter exchanges, especially in raw materials and food, as a means of reducing the need for foreign exchange for intra-African trade. A survey should be undertaken in African countries to determine the willingness by countries to engage in such trade as well as to establish a list or lists of goods to be exchanged under barter arrangements.

V. REVITALIZING THE EXTERNAL TRADE SECTOR

27. In order to reverse the disappointing trends in Africa's external trade performance experience during the 1980s, Africa's external trade strategy needs to be significantly changed or modified. The revitalization of the African export sector has to be accorded the highest priority in the strategies for adjustment and transformation. The four basic elements of such a strategy are (a) significant decrease in dependence on exports of agricultural and mineral primary commodities; (b) significant improvements in export earnings capabilities; (c) new framework for North-South trade relations; and (d) South-South trade and co-operation.

(a) Decreasing the dependance on primary commodities

28. The decrease in export dependence on agricultural and mineral primary commodities is a difficult objective to attain in view of the external control elements that underlie and influence African production structures. However a start should be made through the following:

(i) African governments should develop a new dialogue with transnational corporations (TNC) to mutually agree to reverse the trends in the extractive and mining industries which now concentrate on exporting crude minerals while only a small amount of processing was undertaken. To this end, a new compact should be reached concerning the sharing of control of the processing, marketing and distribution of African primary commodities so as to make African Governments less vulnerable to international changes in pricing and exports of such commodities. New measures should be made to increase the use of science and technology and research and development to increase the manufacture and semi-manufacture of goods for exports to the rest of the world;

(ii) African countries, with the assistance of the International Trade Centre and the Economic Commission for Africa, should undertake new and more vigorous demand and supply and marketing studies should be conducted in the industrialized countries to identify their patterns that can be matched against specific African produced goods and services. In doing so, special attention should be given to the quality of the goods, price competitiveness, packaging and merchandizing as well as international trade facilitation requirements;

(iii) UNCTAD should be requested to undertake comprehensive studies of the patterns of trade in synthetic substitutes as well as primary commodities among the industrialized countries so as to determine their impacts on the structures of production and distribution of African primary commodities.

(iv) Governments should create appropriate economic environment at the national level conducive to export promotion and diversification, including such measures as introducing export insurance and credit schemes, tax exemption for manufacture and semi-manufacture exporters, appropriate pricing policies as well as reinforcing export support institutions;

(b) Significant improvement in Africa's export earnings

29. The recent declines in Africa's export earnings need to be reversed as a matter of urgency. To this end, African countries need to increase their capacities to understand the working of international market mechanisms and how these are manipulated by foreign firms and transnationals, through pricing mechanisms, and shifts in supply functions to respond to anticipated demand. African countries need to restructure their trade strategies with a view to facilitating the penetration of international markets at higher remunerative levels. These can be attained through the following:

(i) The adoption of a more aggressive export drive through the preparation of an inventory of Africa's best quality products to be subjected to a realistic policy to ensure more competitiveness of African goods in the world markets, taking advantage of possible price increases for such products;

(ii) Defining the framework for new joint venture agreements, involving foreign as well as local investors and manufactures, under which new product brands are to be produced and exported. This should be accompanied where appropriate, by the creation of "export processing zones" and "free trade zones" that would provide an enabling environment for such production; and

(iii) A systematic evaluation of the cost structures of African exports (i.e. factor inputs, transport and communications, port facilities, shipping and air-freighting, trade representation and advertising) so as to find areas where cost reductions could be achieved. This would immediately improve the "retained value' of Africa's exports as well as their competitiveness.

(c) New Framework for Africa's Trade Relations with the North

30. During the 1990s, the strategy should focus on increasing the gains while minimizing Africa's losses from international trade. In addition to the UNCTAD forum, a platform should be found by which particular trade problems of African countries can be brought to the attention of the Group of Seven Most Industrialized Countries for appropriate support. It should be accepted that restrictive and protectionist policies of these industrial nations against African products, while seriously harming the African countries, do also have serious repercursions, both direct and indirect, on the industrial nations.

31. Therefore, the new structure of trade relations should focus on the following important elements:

(i) The African countries should redefine and strengthen the institutional

(ii) As a follow-up to decisions adopted at the various sessions of UNCTAD, there should be an agreement for a legal framework for the transfer, acquisition and adaptation of science and technology to African trade expansion strategy and in particular, the application of the United Nations Electronic Data Interchange for Administration, Commerce and Transport (UN-EDIFACT) so as to enhance trade between African and the developed countries. The donor community should be requested to finance, on grant or easy and soft terms, the introduction of computers in African countries to facilitate international trade. This should be accompanied by intensive training and skills up-grading in African countries for trade promotion specialists and personnel in these areas.

(d) South-South Trade and Co-operation

32. In order to foster growth of the manufacturing sector and provide the impetus for promotion and expansion of mutually beneficial inter-regional trade, the following measures are proposed:

(i) in the light of the Caracas Programme of Action on Economic Co-operation, African sub-regional economic groupings should study ways of creating preferential trade regimes between Africa and other developing regions as in the context of the global System of Trade Preferences among Developed Countries (GSTP);

(ii) African governments should devise appropriate mechanisms for improving intra-regional monetary and financial arrangements in order to eventually create multilateral clearing arrangements for inter-regional trade facilitation and greatly enhance such trade; and should improve the flow and exchange of trade information to enable the expansion and promotion of interregional trade;

(iii) State Trading Organizations (STOs) national trade promotion organizations as well as chambers of commerce and industry should link their demand for goods and services with the supply by their counterparts in the other developing regions including possibilities of exploitation of counter-trade or barter arrangements; and

(iv) Ministers responsible for transport should establish more reliable transportation systems of an interregional nature, using where available, national carriers of participating countries. Similarly, communications services among developing nations should be improved.

VI. IMPLEMENTATION AND FOLLOW-UP MECHANISMS

33. The implementation of this strategy requires a macro-policy approach to the promotion of domestic, intra-African and international trade, taking full account of the objective of self-reliance enbodied in the Lagos Plan of Action. No clear analysis of market mechanisms at different levels of production and distribution is essential in order to design adequate and appropriate instruments for trade promotion and marketing. To this extent, the following follow-up mechanisms could assist African countries, either individually or collectively, to implement the strategies now proposed:

(i) At the national level, the Minister responsible for trade and commerce should set up, where this does not exist, an Inter-Disciplinary Committee on Trade made up of senior officials from the trade, agriculture, industry, planning, finance, transport and communication and human resources development sectors, as well as the representatives of the Chambers of Commerce and Industry, and State Trading Organizations to draw up a programme for implementing these strategies at the national level. It would be the task of this committee to ensure a sound functional relationship between trade and other key sectors of the economy.

(ii) At the sub-regional level, a High-Level Inter-Secretariat Committee made up of Executive Heads of Sub-regional economic groupings should be established supported by Directors of Trade and Research of the Inter-governmental organizations engaged in intra-African trade such as the UDEAC, PTA, SADCC, CEPGL, MRU, ECCAS, ECOWAS, CEAO and MRU. The main mandate of such a committee would be to identify common areas of interest and to implement programmes aimed at promoting trade among the various subregional groupings. This committee would also be useful in the work towards the establishment of an African Common Market by using these subregional groupings as building blocks.

(iii) At the international level, the current Bureau of the Conference of African Ministers of Trade should constitute an ad Hoc Standing Committee on Trade and should be responsible, with the support of the secretariats of ECA, OAU, UNCTAD and ITC, in monitoring the implementation of all internationally agreed programmes and measures in international trade of interest to Africa. It should also have the mandate, where appropriate, to contact, on behalf of individual countries or sub-regional groupings, selected industrialized countries to discuss mutual programmes in international trade and facilitation. The committee will work closely with the ACP secretariat as well as the Group of 77 to ensure co-ordination of efforts and programmes.

(iv) The UNDP, World Bank and ADB should jointly finance a comprehensive supply analysis of existing and potential manufactured and semi manufactured products in African countries that have a real export potential to form the basis for new negotiations for tariff reductions in international trade. Simultaneously a demand and consumption analysis, including standards and quality control, should be made in the markets of industrial countries to determine the marketability of the products so identified in African countries as well as appropriate institutions and trade facilitation mechanisms.